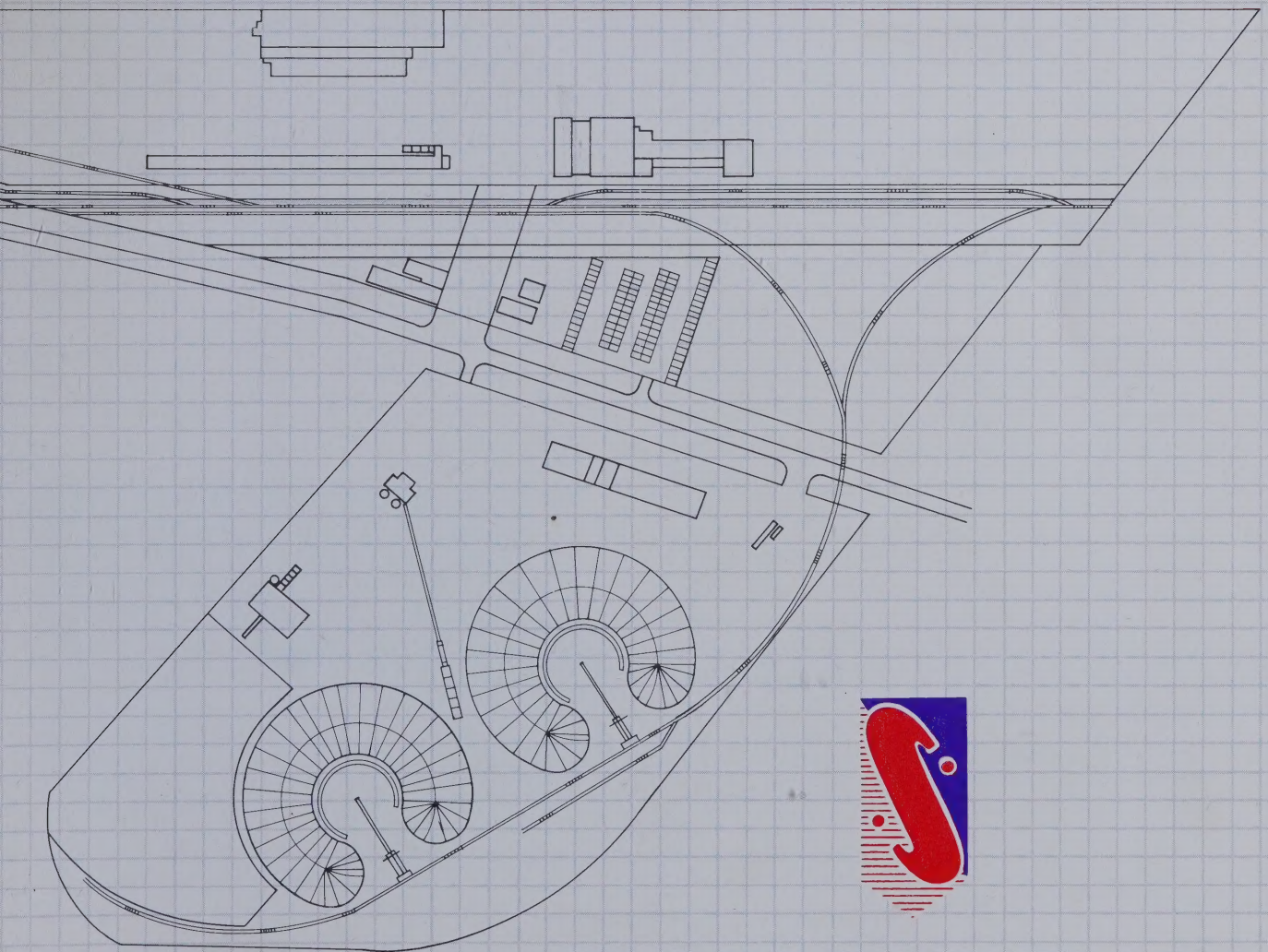


1976 ANNUAL REPORT



SUPERCRETE LTD.

SUPERCRETE LTD. ■ ANNUAL REPORT 1976

Financial Highlights

	Year ended December 31,	
	1976	1975
	(in thousands of dollars)	
Sales	\$27,672	\$23,000
Consolidated net earnings	\$1,693	\$1,594
Working capital at end of year	\$2,752	\$2,536
Shareholders' equity at end of year	\$9,397	\$7,951
Common shares outstanding	1,649,833-2/3	1,649,833-2/3
Number of common shareholders at year end	3,164	3,303
Per Share		
Consolidated net earnings	\$1.03	\$0.97
Dividends	\$0.15	\$0.10
Shareholders' equity at year end	\$5.70	\$4.82

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at the head office of the Corporation, 222 Provencher Avenue, Winnipeg, Friday, April 29, 1977 at 2:00 p.m. Local Time.

A copy of the Corporation's 1976 report filed with the Securities and Exchange Commission, on Form 10-K, is available to shareholders on request. This report can be obtained by writing to Supercrete Ltd., 222 Provencher Avenue, Winnipeg, Manitoba R2H 0G5.

FRONT COVER — Site plan showing general layout of new plant facilities under construction in Winnipeg.

To Supercrete Shareholders:



The audited consolidated financial statements for the year ended December 31, 1976 are presented herewith.

The company had a successful year in 1976, with net earnings of \$1,693,000 (\$1.03 per share) compared with 1975 earnings of \$1,594,000 (\$0.97 per share). Consolidated sales increased 20% to \$27,672,000; however, due mainly to the restraints on profits imposed in 1975 by the Anti-Inflation Act, pre-tax income only increased marginally. A lower effective tax rate, due to investment tax credits, resulted in a 6% increase in net earnings in 1976 compared with 1975.

A major program of plant construction and relocation of the Winnipeg facilities was commenced in 1976 for completion in 1977. The total estimated cost of this program is \$7,530,000, of which approximately \$2,426,000 was spent in 1976. We are confident that the new facilities, when completed, will be among the most modern and efficient anywhere, and will allow your company to meet the increasing demand for quality concrete products and to compete more effectively in the Manitoba market.

Capital expenditures totalled \$3,577,000 (including the aforementioned \$2,426,000). Other capital expenditures, totaling \$1,151,000 were mainly related to further expansion of and improvements to our Edmonton and Calgary plants.

The 1976 financial statements have been prepared in accordance with the new Corporations Act of Manitoba as explained in Note 8.

The purpose of the Anti-Inflation Act was to control and reduce the rate of inflation in Canada. The mandatory controls of this legislation limit increases in prices, profits, compensation and dividends through a series of complex regulations. The company is of the opinion that it has complied with the controls.

Due to current economic uncertainties and the continuation of the Anti-Inflation Act, predictions for 1977 are difficult. We have a significant volume of work currently on hand and are hopeful that the various levels of government will stimulate a reasonable level of growth in the economy.

The Directors acknowledge their sincere appreciation to our employees who have contributed greatly to another successful year. To our customers and suppliers we are most thankful for their continued support.

On behalf of the Board

F.M. Fowler
President



Double Tandem Mixer truck, 12 cu. yd. capacity.

**Price
Waterhouse & Co.**
CHARTERED ACCOUNTANTS

2200 One Lombard Place
Winnipeg, Man. R3B 0X7
(204) 943-7321 Telex 07-587728

February 10, 1977

AUDITORS' REPORT

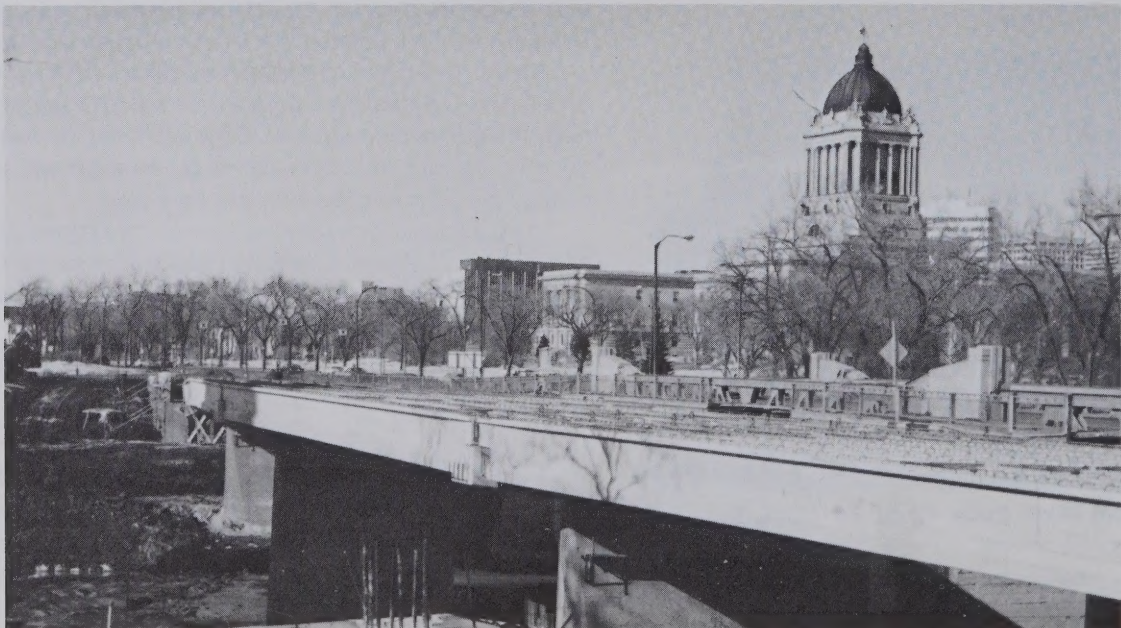
To the Shareholders of
Supercrete Ltd.:

We have examined the consolidated balance sheets of Supercrete Ltd. as at December 31, 1976 and 1975 and the consolidated statements of earnings and retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1976 and 1975 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles consistently applied.

Price Waterhouse & Co.

Chartered Accountants



Precast/Prestressed "I" girders, for Osborne St. Bridge.

SUPERCRETE LTD.

Consolidated Statement of Earnings and Retained Earnings

	Year ended December 31	
	1976	1975
Sales and other income	\$27,672,456	\$23,000,130
Cost of sales and expenses:		
Cost of sales, exclusive of depreciation shown below	21,782,511	17,522,147
Selling, general and administrative expenses	1,665,284	1,366,968
Depreciation	956,306	877,463
Amortization of excess purchase price	13,254	13,254
Interest-		
On long-term debt	19,084	27,300
On bank loans	396,412	384,028
	<u>24,832,851</u>	<u>20,191,160</u>
Earnings before income taxes	2,839,605	2,808,970
Income taxes:		
Current	575,000	900,000
Deferred	572,000	315,000
	<u>1,147,000</u>	<u>1,215,000</u>
Net earnings for the year	1,692,605	1,593,970
Retained earnings at beginning of year	6,195,390	4,766,302
Dividend paid (\$0.15 per share; 1975 - \$0.10)	(247,327)	(164,882)
Retained earnings at end of year	<u>\$7,640,668</u>	<u>\$6,195,390</u>
Earnings per share	<u>\$1.03</u>	<u>\$0.97</u>

Consolidated

ASSETS

	December 31	
	1976	1975
Current assets:		
Cash	\$ 13,320	\$ 62,338
Accounts receivable	4,833,591	4,428,999
Inventories (note 2)	3,329,622	3,608,369
Prepaid expenses	64,672	25,344
	8,241,205	8,125,050
Property, plant and equipment, at cost (note 3)	17,918,796	14,398,075
Less: Accumulated depreciation and depletion	9,078,127	8,178,098
	8,840,669	6,219,977
Excess of cost of investment in subsidiary over net tangible assets at date of acquisition, less amortization of \$52,974 (1975 - \$39,720)	477,166	490,420
Approved by the Board:		
F.M. Fowler, Director		
D.G. Griffin, Director		
	<u>\$17,559,040</u>	<u>\$14,835,447</u>

ETE LTD.

Balance Sheet

LIABILITIES

	December 31	
	1976	1975
Current liabilities:		
Bank loans, secured (note 4)	\$1,680,000	\$3,120,000
Accounts payable and accrued liabilities	2,951,499	1,770,948
Income taxes payable	488,573	392,809
Deferred income taxes	368,700	305,700
	<u>5,488,772</u>	<u>5,589,457</u>
Long-term debt (note 5)	1,130,000	260,000
Deferred income taxes	1,543,700	1,034,700
Commitments (notes 6 and 7)	<u>8,162,472</u>	<u>6,884,157</u>

SHAREHOLDERS' EQUITY

Capital stock:		
1,649,833-2/3 common shares of no par value (note 8)	1,237,375	1,237,375
Contributed surplus	518,525	518,525
Retained earnings	7,640,668	6,195,390
	<u>9,396,568</u>	<u>7,951,290</u>
	<u>\$17,559,040</u>	<u>\$14,835,447</u>

SUPERCRETE LTD.

Consolidated Statement of Changes in Financial Position

	Year ended December 31	
	1976	1975
Working capital was provided by:		
Operations-		
Net earnings for the year	\$1,692,605	\$1,593,970
Depreciation	956,306	877,463
Amortization of excess purchase price	13,254	13,254
Increase in non-current portion of deferred income taxes ..	509,000	314,000
Funds provided by operations	3,171,165	2,798,687
Term bank loans	1,000,000	-
	4,171,165	2,798,687
Working capital was applied to:		
Payment on long-term debt	130,000	130,000
Expenditure on property, plant and equipment (net)	3,576,998	1,550,943
Dividend paid	247,327	164,882
	3,954,325	1,845,825
Increase in working capital	216,840	952,862
Working capital at beginning of year	2,535,593	1,582,731
Working capital at end of year	<u>\$2,752,433</u>	<u>\$2,535,593</u>

1. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES:

Generally accepted accounting principles —

The financial statements are prepared in conformity with generally accepted accounting principles as established in Canada which, in the Company's case, conform with those established in the United States of America.

Principles of consolidation —

The consolidated financial statements include the accounts of Supercrete Ltd. and its wholly-owned subsidiary company, Supercrete (Alberta) Ltd. In 1973 the Company adopted the policy of amortizing over 40 years the excess of the cost of its investment in the subsidiary company over net tangible assets at date of acquisition.

Revenue recognition —

Revenue from sales of ready-mixed concrete, block, pipe, aggregate and other products is recorded at the time of shipment. Revenue from construction contracts is recorded when identifiable sections of the contracts are completed or when the whole contract is substantially completed. Losses are provided for as soon as they become evident.

Inventories —

Finished goods and raw materials are stated at the lower of average cost and estimated realizable value. Merchandise, supplies and spare parts are stated at the lower of cost (on a first-in first-out basis) and replacement cost. Incomplete contracts are stated at cost, less progress billings.

Property, plant and equipment —

Property, plant and equipment are carried at cost. Expenditures for renewals and betterments to existing assets are capitalized at cost. Assets retired or otherwise disposed of, together with related amounts of accumulated depreciation, are removed from the accounts. Profits or losses on sales of properties are included in the statement of earnings. Maintenance and repairs are expensed as incurred.

Depreciation and depletion —

Depreciation is provided over the estimated useful lives of the assets on the straight-line method.

The rates used are as follows:

Yard improvements	4%
Buildings, depending on type of construction	5% or 10%
Equipment, depending on type	10% to 20%

Depletion is provided on gravel and sand pits on the basis of quantities used in relation to estimated total usable quantities at each pit. Leasehold improvements are written off over the terms of the leases including the first renewal period, if any.

Income taxes —

Income taxes are provided for on the allocation basis and include provision for all taxes currently payable as well as those which have been deferred to future years as a result of timing differences in the measurement of income for tax purposes. Deferred income taxes included in current liabilities reflect the deferred tax liability arising from holdbacks on sales contracts which will be received in the following year. The remaining deferred tax balance arises from depreciation claimed for tax purposes in excess of that recorded in the accounts.

Pension plan —

The Company has a pension plan available to salaried employees. There are no unfunded past-service pension costs and current service costs are charged to operations in the year they are incurred.

2. INVENTORIES:

	1976	1975
Finished goods and merchandise	\$1,568,362	\$1,638,612
Raw Materials and manufacturing supplies	1,153,562	1,400,510
Plant supplies and spare parts	245,717	225,361
Incomplete contracts, at cost, less		
\$227,704 progress billings (1975 - \$293,002)	361,981	343,886
	<u>\$3,329,622</u>	<u>\$3,608,369</u>

3. PROPERTY, PLANT AND EQUIPMENT:

	1976	1975
Land	\$ 477,697	\$ 477,697
Gravel and sand pits	106,761	106,761
Yard improvements	626,102	605,541
Buildings	2,572,589	2,278,293
Machinery and equipment	9,374,901	8,692,501
Moulds, dies and jigs	2,022,681	1,856,712
Construction in progress	2,506,399	148,904
Leasehold improvements	231,666	231,666
Less: Accumulated depreciation and depletion	17,918,796 9,078,127	14,398,075 8,178,098
	<u>\$ 8,840,669</u>	<u>\$ 6,219,977</u>

4. BANK LOANS, SECURED:

The Company's operating bank loans are payable on demand; accounts receivable and inventories are pledged as security.

5. LONG TERM DEBT:

	1976	1975
7% promissory note payable December 31, 1977	\$ 130,000	\$260,000
First advance on term bank loans (authorized at \$6,000,000) bearing interest at 1½% above the Canadian prime bank rate, repayable \$850,000 semi-annually June 30, 1978 to June 30, 1981 (note 7)	1,000,000	-
	<u>\$1,130,000</u>	<u>\$260,000</u>

The term bank loans are secured by a fixed charge on certain property, plant and equipment and a floating charge on all other assets of Supercrete Ltd. The loan agreement contains covenants relating to the payment of dividends, further capital expenditures and maintenance of working capital.

6. COMMITMENTS:

The Company is committed under property lease agreements for periods up to six years at a minimum annual rental of \$108,000 with options to renew certain leases for further periods up to 27 years at varying rentals.

7. PLANT CONSTRUCTION AND RELOCATION:

The Company is undertaking new plant construction and relocation scheduled for completion in 1977 at an estimated cost of \$7,530,000. At December 31, 1976 \$2,426,000 had been expended. Financing has been arranged on the basis of a term bank loan (note 5).

8. CAPITAL STOCK:

As altered by the new Corporations Act of Manitoba, the authorized capital consists of 1,666,666-2/3 common shares of no par value, with the maximum consideration of \$1,250,000.

9. ANTI-INFLATION PROGRAM:

The Company is subject to, and believes it has complied with, controls on prices, profits, compensation and dividends under the Government of Canada's anti-inflation program. Under the present anti-inflation legislation, dividends during the year ending December 31, 1977 may not exceed approximately \$0.16 per share.

10. RELATED PARTY TRANSACTIONS:

During the year the Company had extensive business transactions with Borger Industries Limited, with Nelson River Construction Ltd., and with Canada Cement Lafarge Ltd. Each of these companies was a beneficial owner of more than 10% of the capital stock of Concrete Holdings Limited, the parent company. All of these transactions, being for the purchase of materials and the sale of concrete products, were at competitive market prices on normal terms of purchase and sale, and form an important part of the Company's business. It is expected that these business connections will continue.

The particulars of these transactions and balances owing from or (to) these companies for the fiscal years ended December 31, 1976 and 1975 are as follows:

	Year ended December 31, 1976		
	Sales to	Purchases from	Balances owing from or (to)
Canada Cement Lafarge Ltd.	\$ 694	\$4,278,563	\$(232,745)
Borger Industries Limited	2,080,151	10,329	(7,075)
Nelson River Construction Ltd.	726,605	55,307	11,417
	<u>\$2,807,450</u>	<u>\$4,344,199</u>	<u>\$(228,403)</u>
	Year ended December 31, 1975		
	Sales to	Purchases from	Balances owing from or (to)
Canada Cement Lafarge Ltd.	\$ 450	\$2,005,257	\$(193,753)
Borger Industries Limited	1,442,468	245	21,428
Nelson River Construction Ltd.	299,513	882	44,902
	<u>\$1,742,431</u>	<u>\$2,006,384</u>	<u>\$(127,423)</u>

Review of Supercrete Operations

The business of Supercrete is the manufacture and distribution of a full range of concrete products which are used in all types of commercial, industrial and residential construction as well as in the construction of bridges and other types of engineering construction.

The Company's operations are confined principally to the provinces of Manitoba and Alberta and Northwestern Ontario. Supercrete's head office and main plant facilities are located in Winnipeg, Manitoba with subsidiary operations in the cities of Calgary and Edmonton, Alberta. Due to climatic conditions the operations are seasonal in nature with employment ranging from 450 to 575 (total all locations) of which approximately 85% are directly involved in the manufacture and distribution of its products and 75% are represented by unions.

The following briefly summarizes the Company's operations in each of its locations:

Manitoba operations

Supercrete's operations in Manitoba encompass the manufacture and distribution of a full range of concrete and lightweight block, concrete pipe, precast and prestressed products, ready-mix concrete and aggregate products. In addition, the Company distributes various building supplies which are closely related to the products of its own manufacture.

Transportation costs generally limit the market for ready-mix concrete and aggregates to the Winnipeg area, which has a population of approximately 575,000; however, block, pipe and precast products are marketed throughout the province of Manitoba and in Northwestern Ontario. Approximately 80% of the Company's Manitoba business is done in the Winnipeg area. The Company distributes the majority of its products by its own fleet of trucks and by hired common carriers.

The concrete products industry is highly competitive in the Manitoba market where excessive production capacity relative to local market requirements exists. In addition, concrete products compete with other construction materials.

Supercrete produces its own aggregate requirements which it obtains from reserves located on lands leased from the Province of Manitoba. Known reserves of aggregate supplies are considered adequate to meet the Company's requirements for at least 50 years.

Alberta operations

Supercrete operates under the corporate name of Supercrete (Alberta) Ltd. with divisions in each of the cities of Calgary and Edmonton. Each location manufactures concrete pipe used principally in the construction of municipal sewer and drainage facilities.

Edmonton precast operations are engaged mainly in the production of structural precast/prestressed products such as bridge girders and floor and roof slabs. Calgary precast operations comprise mainly the production of architectural precast wall panels and precast underground vaults for telephone and other communication installations.

The concrete pipe and precast/prestressed products industry is highly competitive in the Alberta market area; however, the rapid expansion of the Alberta economy, mainly as a result of oil and gas exploration and development, has resulted in all plants producing at full capacity. It is expected that this high level of economic activity will continue for the foreseeable future.

The following table indicates the composition of the Company's sales and pre-tax profit by line of business for each of the last five years.

Item	Percent of Total									
	1976		1975		1974		1973		1972	
	Sales	Profits	Sales	Profits	Sales	Profits	Sales	Profits	Sales	Profits
Supercrete Ltd.	%	%	%	%	%	%	%	%	%	%
Block, pipe and precast (Note 1)	28	16	33	36	28	26	33	26	43	28
Ready-Mix and aggregate (Note 2)	27	40	25	30	24	33	30	48	38	67
Other	3	2	3	3	3	3	4	5	5	4
Supercrete (Alberta) Ltd.										
Pipe and precast (Note 1)	42	42	39	31	45	38	33	21	14	1
Total	100	100	100	100	100	100	100	100	100	100

- Notes:
1. Because of the similarity of products, methods of manufacture, common production and sales overheads, it is impractical to segregate the pre-tax profits of each particular products line.
 2. Ready-mix and aggregate operations are grouped as approximately 60% of the aggregates produced are transferred to and consumed by the ready-mix division.

SUPERCRETE LTD.

Summary of Consolidated Statement of Earnings and Retained Earnings

For the years ended December 31,					
	1976	1975	1974	1973	1972
Sales and other income	\$27,672,456	\$23,000,130	\$20,559,859	\$14,204,986	\$12,108,425
Earnings before incomes taxes	2,839,605	2,808,970	1,743,938	1,180,001	1,324,989
Income taxes	1,147,000	1,215,000	733,938	499,819	646,078
Net earnings for the year ...	1,692,605	1,593,970	1,010,000	680,182	678,911
Retained earnings at beginning of year	6,195,390	4,766,302	3,921,185	3,405,880	2,891,840
	7,887,995	6,360,272	4,931,185	4,086,062	3,570,751
Dividends paid	247,327	164,882	164,883	164,877	164,871
Retained earnings at end of year	\$7,640,668	\$6,195,390	\$4,766,302	\$3,921,185	\$3,405,880
Earnings per share (1,649,833-2/3 shares)	\$1.03	\$0.97	\$0.61	\$0.41	\$0.41
Dividends paid per share ...	\$0.15	\$0.10	\$0.10	\$0.10	\$0.10

Price Range of Common Stock

The Company's Common Shares have been listed on the American Stock Exchange since May, 1960.

The price range of the Company's Common Shares on the American Stock Exchange for each quarterly period during the last two calendar years is as follows:

	1976		1975	
	High	Low	High	Low
1st quarter	4-7/8	2-1/4	2-1/2	1-5/8
2nd quarter	4	3-1/8	2-1/2	2
3rd quarter	3-3/4	3	3-1/2	2-1/8
4th quarter	4-1/4	3-1/4	2-1/2	2-1/8
Yearly	4-7/8	2-1/4	3-1/2	1-5/8

Dividends

The Company paid annual dividends as indicated above.

Management's Analysis of the Consolidated Statement of Earnings

1976 COMPARED TO 1975

Sales in Alberta and Manitoba increased by 29.6% and 14.4% respectively, and resulted in consolidated sales increasing by 20.3% over 1975. The main factors contributing to the growth in volume were the continuing rapid expansion of the Alberta economy and exceptionally good weather throughout the summer and fall of 1976 in our market area.

Cost of goods sold increased to 78.7% of sales in 1976 as compared to 76.2% in 1975. The most significant factor contributing to this increase was the limitation placed on prices and profits by the Anti-Inflation Act. This legislation generally restricts price increases to cost increases and limits profits to approximately 95% of those earned in previous years as related to sales. In addition, expenditures for maintenance and repairs (the majority of which are included in cost of goods sold) increased by approximately 25% over the amounts expended in 1975, due mainly to the heavy demand placed on our facilities and to escalating costs of repair parts and services. All other elements of costs remained fairly constant as related to sales.

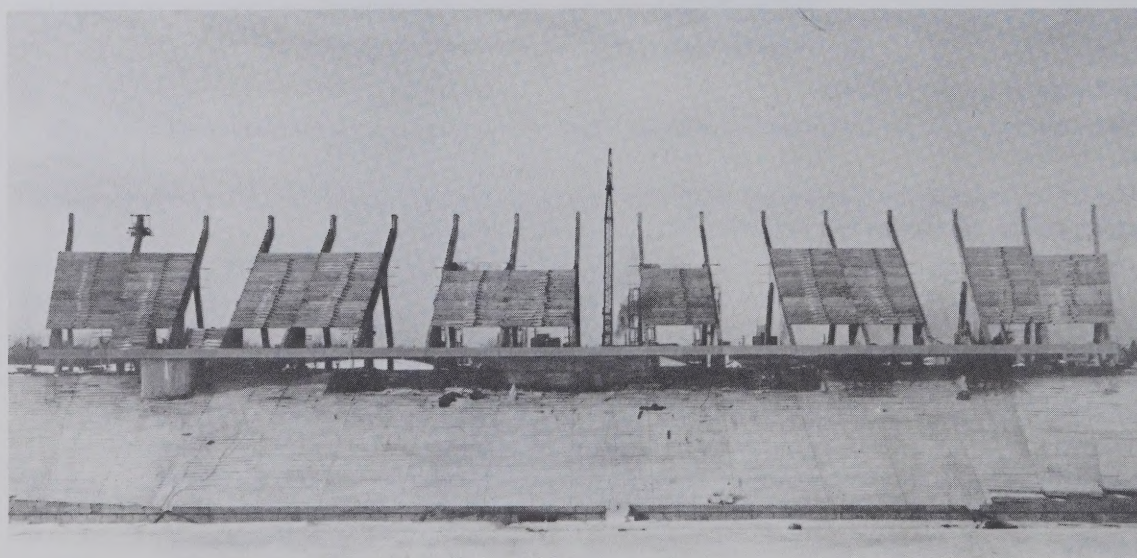
The proportion of deferred income taxes increased to approximately 50% in 1976 as compared to 26% of total tax expense in 1975, due mainly to depreciation allowable for tax purposes on new plant construction costs. A lower effective tax rate (1976 - 40.4%; 1975 - 43.3%) resulted primarily from investment tax credits on the new plant expenditures.

1975 COMPARED TO 1974

Consolidated sales volume increased by 11.9% over 1974. Sales in the Manitoba area of operations increased by 22.2% over 1974, while Alberta sales decreased 1.3% from the record levels of 1974.

Earnings increased substantially in all areas of operations, with consolidated net earnings increasing by 57.8% over 1974. The increased earnings are due mainly to increased productivity and cost savings resulting from significant capital expenditures undertaken during the past several years and to improved market conditions.

Interest expense, though not increasing significantly in amount over 1974, remained high as a result of the continued high level of bank borrowing necessary to finance capital expenditures and higher levels of accounts receivable and inventories resulting from increased sales.



Precast seating units, Commonwealth Games Stadium, Edmonton.

SUPERCRETE LTD. ■ ORGANIZATION

HEAD OFFICE — 222 PROVENCHER AVENUE, WINNIPEG, MANITOBA

DIRECTORS

FRANK M. FOWLER — General Manager and Director of Nelson River Construction Ltd.
(heavy construction contractor)

ALAN A. BORGER — President of Borger Industries Ltd. (contractors and engineers)

DESMOND G. GRIFFIN — Vice-President and General Manager, Canada Cement Lafarge Ltd.,
Western Region (cement manufacturers)

DONALD A. THOMPSON, Q.C. — Partner, Thompson, Dorfman, Sweatman (barristers and solicitors)

CHARLES P. SCHWARTZ, JR. — President Champion Parts Rebuilders, Inc.,
Oak Brook, Illinois

OFFICERS

FRANK M. FOWLER, *President*

ALAN A. BORGER, *Vice-President*

DESMOND G. GRIFFIN, *Vice-President*

FRED R. DUNSMORE, *General Manager*

ERNEST REIMER, *Secretary-Treasurer*

IAN R. WHYTE, *Controller and Asst. Secretary*

TRANSFER AGENTS AND REGISTRARS

Montreal Trust Company

WINNIPEG, Canada

The Bank of New York

NEW YORK, U.S.A.

SOLICITORS

Thompson, Dorfman, Sweatman

AUDITORS

Price Waterhouse & Co.



SUPERCRETE LTD. ■ ANNUAL REPORT 1976